

Message Text

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INFO OCT-01 AF-10 ARA-16 EA-11 EUR-25 NEA-14 RSC-01 IO-14

ISO-00 FEA-02 AGR-20 CEA-02 CIAE-00 DODE-00 EB-11

FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07

PA-04 AID-20 CIEP-03 SS-20 STR-08 TAR-02 TRSE-00

USIA-15 PRS-01 SP-03 OMB-01 SWF-02 /247 R

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LABOR:JCOYLE

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TO AMEMBASSY WELLINGTON
INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, GATT, NZ, SZ

SUBJECT: GATT ARTICLE XXVIII NEGOTIATIONS -NEW ZEALAND

REF: A. WELLINGTON 2668, B. STATE 168739 C. TSC PAPER 74-30
D. GENEVA 5143 E. STATE 119541 F. TSC PAPER 74-19

1. REGARDING REACTIONS OF WOODFIELD, ASSISTANT DIRECTOR, TRADE
POLICY DIVISION, GNZ DEPARTMENT OF TRADE AND COMMERCE, TO US
DEMARCHE ON RECENT NZ ACTIONS UNDER ARTICLE XXVIII, OUR
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POSITION REMAINS THAT THE PROVISIONS OF ARTICLE XXVIII REQUIRING:

(A) PRIOR NEGOTIATION AND AGREEMENT BEFORE MODIFICATION OF CONCESSIONS; AND (B) COMPENSATORY ADJUSTMENT, WHERE APPROPRIATE, WHICH MAINTAINS THE GENERAL LEVEL OF RECIPROCAL AND MUTUALLY ADVANTAGEOUS CONCESSIONS MUST BE OBSERVED. THE US CAN NOT CONDONE FOREIGN ACTIONS WHICH UNDERMINE GATT PROVISIONS AND SET HARMFUL PRECEDENTS OTHER COUNTRIES MIGHT FOLLOW. IN LIGHT OF LONG TERM GNZ REVIEW OF ITS TARIFF STRUCTURE, IT IS ESPECIALLY IMPORTANT GNZ RESPECT THE GATT TARIFF RENEGOTIATION MECHANISM.

2. WE AGREE WITH WOODFIELD'S CONTENTION THAT GNZ WENT LONG WAY IN MEETING PREVIOUS USG DISSATISFACTION BY GIVING NOTICE BEFORE NEW RATES WERE ACTUALLY PUT INTO EFFECT. IF GNZ FINDS IT NECESSARY TO IMPLEMENT NEW RATES RAPIDLY, GNZ COULD OBSERVE FOLLOWING PRACTICES: (A) DATE OF NEW RATE IMPLEMENTATION ALLOWS REASONABLE TIME-FRAME, GIVEN EXTENT OF CONCESSIONS MODIFICATIONS, IN WHICH TO NEGOTIATE SETTLEMENT; AND (B) OFFERS FOR COMPENSATION REFLECT DESIRE TO REACH EARLY AGREEMENT. WITH REFERENCE POINT (C), US WELCOMES WOODFIELD'S STATEMENT THAT IN FUTURE GNZ WILL CONSIDER MAKING REALISTIC COMPENSATION OFFERS AT TIME OF NOTICE OF RATE INCREASES, BUT WE MUST NOTE THAT OFFERS OF BINDINGS ON ITEMS UNDER WHICH NO TRADE HAS ENTERED WOULD NOT IN MOST CASES BE CONSIDERED ADEQUATE COMPENSATION.

3. WE CANNOT AGREE WITH WOODFIELD THAT MINISTERIAL DISCRETION TO RAISE DUTIES IS LITTLE DIFFERENT FROM DISCRETION TO LOWER DUTIES. AUTHORITY TO RAISE DUTIES OBVIOUSLY HAS POTENTIAL RESTRICTIVE EFFECT WHICH MUST BE VIEWED AS LONG STEP AWAY FROM TRADE LIBERALIZATION. "DISCRETIONARY TARIFFS" CAN ACT AS PSYCHOLOGICAL BUT EFFECTIVE TRADE BARRIER IN MUCH SAME WAY AS DISCRETIONARY IMPORT LICENSING.

4. ABOVE VIEWS MAY BE CONVEYED TO WOODFIELD AT DISCRETION OF EMBASSY. KISSINGER

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